



PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012
OF THE CONDITION AND AFFAIRS OF THE
NORTH EAST INSURANCE COMPANY

NAIC Group Code 3703 3703 NAIC Company Code 24007 Employer's ID Number 01-0278387
(Current) (Prior)

Organized under the Laws of Maine, State of Domicile or Port of Entry Maine
Country of Domicile United States of America

Incorporated/Organized 08/09/1965 Commenced Business 06/09/1966

Statutory Home Office 707 Sable Oaks Drive Suite 100, South Portland , ME, US 04105
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 120 Broadway, 31st Floor
(Street and Number)
New York , NY, US 10271, 212-655-2000
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 120 Broadway, 31st Floor, New York , NY, US 10271
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 120 Broadway, 31st Floor
(Street and Number)
New York , NY, US 10271, 212-655-2000
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.twrgrp.com

Statutory Statement Contact Brian W. Finkelstein, 212-655-2065
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OFFICERS

CEO Michael Han Lee SVP & Secretary Elliot Scott Orol
EVP & CFO William Edward Hitselberger

OTHER

DIRECTORS OR TRUSTEES

Michael Han Lee William Edward Hitselberger Gary Stewart Maier
Elliot Scott Orol Christian Kirby Pechmann Laurie Ann Ranegar
William Franklin Dove #

State of New York SS:
County of New York

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or-claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entiiy as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Michael Han Lee William Edward Hitselberger Elliot Scott Orol
CEO EVP & CFO SVP & Secretary

Subscribed and sworn to before me this 22nd day of February 2013

- a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number.....
2. Date filed
3. Number of pages attached.....

JING JING YU
Notary Public - State of New York
No. 01YU6214444
Qualified in Kings County
My Commission Expires December 7, 2013

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	47,945,367		47,945,367	65,322,459
2. Stocks (Schedule D):				
2.1 Preferred stocks	1,849,653		1,849,653	2,586,617
2.2 Common stocks	88,821		88,821	88,821
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$				
encumbrances)				
4.2 Properties held for the production of income (less				
\$				
encumbrances)				
4.3 Properties held for sale (less \$				
encumbrances)				
5. Cash (\$				
(27,295) , Schedule E - Part 1), cash equivalents				
(\$				
, Schedule E - Part 2) and short-term				
investments (\$	324,877		324,877	1,502,111
352,172 , Schedule DA)				
6. Contract loans (including \$				
premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	3,428,537		3,428,537	
9. Receivable for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	53,637,255		53,637,255	69,500,008
13. Title plants less \$				
charged off (for Title insurers				
only)				
14. Investment income due and accrued	480,094		480,094	773,562
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	7,119,445	746,955	6,372,490	8,326,170
15.2 Deferred premiums, agents' balances and installments booked but				
deferred and not yet due (including \$				
earned but unbilled premiums)	7,128,634		7,128,634	5,905,218
15.3 Accrued retrospective premiums	94,282	6,888	87,394	76,806
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	3,682,090		3,682,090	4,169,431
16.2 Funds held by or deposited with reinsured companies	5,452,814		5,452,814	2,790,200
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	470,272		470,272	153,934
18.2 Net deferred tax asset	3,074,984		3,074,984	3,011,457
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets				
(\$				
)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	22,515,357		22,515,357	6,572,069
24. Health care (\$				
) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	3,196,599	356,112	2,840,487	2,165,263
26. Total assets excluding Separate Accounts, Segregated Accounts and				
Protected Cell Accounts (Lines 12 to 25)	106,851,826	1,109,955	105,741,871	103,444,118
27. From Separate Accounts, Segregated Accounts and Protected Cell				
Accounts				
28. Total (Lines 26 and 27)	106,851,826	1,109,955	105,741,871	103,444,118
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)				
2501. Advances to TPA's	1,717,727		1,717,727	1,074,044
2502. Involuntary fair plan assumed	445,488		445,488	505,540
2503. Receivable from residual market pools	305,325		305,325	279,395
2598. Summary of remaining write-ins for Line 25 from overflow page	728,059	356,112	371,947	306,284
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	3,196,599	356,112	2,840,487	2,165,263

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	30,965,128	29,676,798
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	430,513	309,697
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	4,638,549	2,995,416
4. Commissions payable, contingent commissions and other similar charges	207,735	141,785
5. Other expenses (excluding taxes, licenses and fees)	1,493,574	1,138,343
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	207,121	143,675
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$32,667,000 and including warranty reserves of \$ and accrued accident and health experience rating refunds including \$ for medical loss ratio rebate per the Public Health Service Act)	20,323,522	20,191,515
10. Advance premium	492,096	445,098
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	11,863,153	12,801,711
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	3,919,921	3,881,692
14. Amounts withheld or retained by company for account of others	67,758	71,455
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ certified) (Schedule F, Part 8)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates		
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending		
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ and interest thereon \$		
25. Aggregate write-ins for liabilities	889,655	609,300
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	75,498,725	72,406,485
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	75,498,725	72,406,485
29. Aggregate write-ins for special surplus funds		1,174,673
30. Common capital stock	3,049,089	3,049,089
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	18,307,132	18,307,132
35. Unassigned funds (surplus)	8,886,925	8,506,739
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 30 \$)		
36.2 shares preferred (value included in Line 31 \$)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	30,243,146	31,037,633
38. TOTALS (Page 2, Line 28, Col. 3)	105,741,871	103,444,118
DETAILS OF WRITE-INS		
2501. Premium collateral and loss fund deposit	602,125	173,244
2502. Miscellaneous liabilities	186,244	29,753
2503. Workers' compensation fund assessment payable	101,286	406,303
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	889,655	609,300
2901. Effect of adoption of SSAP No. 10R		1,174,673
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)		1,174,673
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 thru 3203 plus 3298)(Line 32 above)		

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	41,508,264	37,422,032
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	24,127,923	22,669,027
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	6,869,035	3,495,939
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	16,399,056	13,289,767
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	47,396,014	39,454,733
7. Net income of protected cells		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)	(5,887,750)	(2,032,701)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,571,318	2,158,064
10. Net realized capital gains or (losses) less capital gains tax of \$ 533,691 (Exhibit of Capital Gains (Losses))	1,536,205	(305,234)
11. Net investment gain (loss) (Lines 9 + 10)	4,107,523	1,852,830
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 448 amount charged off \$ 184,846)	(184,398)	(203,059)
13. Finance and service charges not included in premiums	371,254	335,407
14. Aggregate write-ins for miscellaneous income	(154,897)	(145,356)
15. Total other income (Lines 12 through 14)	31,959	(13,008)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(1,748,268)	(192,879)
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(1,748,268)	(192,879)
19. Federal and foreign income taxes incurred	(947,486)	(252,232)
20. Net income (Line 18 minus Line 19)(to Line 22)	(800,782)	59,353
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	31,037,633	21,032,759
22. Net income (from Line 20)	(800,782)	59,353
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 28,964	(17,673)	(78,341)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(40,641)	417,809
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	1,125,606	(1,110,288)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		9,900,000
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(1,060,998)	816,341
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(794,488)	10,004,874
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	30,243,146	31,037,633
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 thru 0503 plus 0598)(Line 5 above)		
1401. Interest on funds held	(154,897)	(145,015)
1402. Retroactive reinsurance		(341)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	(154,897)	(145,356)
3701. Effect of adoption of SSAP No 10R	(1,174,673)	816,341
3702. Correction of error (SSAP 3) – Federal income tax	(127,897)	
3703. Correction of error (SSAP 3) – Deferred federal income tax	133,133	
3798. Summary of remaining write-ins for Line 37 from overflow page	108,439	
3799. Totals (Lines 3701 thru 3703 plus 3798)(Line 37 above)	(1,060,998)	816,341

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	38,812,952	33,967,152
2. Net investment income	3,443,061	2,907,315
3. Miscellaneous income	62,489	(13,008)
4. Total (Lines 1 through 3)	42,318,502	36,861,459
5. Benefit and loss related payments	22,152,673	22,364,754
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	21,166,325	17,796,154
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	35,675	(2,998,654)
10. Total (Lines 5 through 9)	43,354,673	37,162,254
11. Net cash from operations (Line 4 minus Line 10)	(1,036,171)	(300,795)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	65,613,538	54,813,396
12.2 Stocks	1,607,050	
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		302
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	67,220,588	54,813,698
13. Cost of investments acquired (long-term only):		
13.1 Bonds	46,696,762	49,426,470
13.2 Stocks	835,392	1,840,076
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	3,500,000	
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	51,032,154	51,266,546
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	16,188,434	3,547,152
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		9,900,000
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(16,329,498)	(12,938,047)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(16,329,498)	(3,038,047)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(1,177,235)	208,310
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,502,111	1,293,801
19.2 End of period (Line 18 plus Line 19.1)	324,877	1,502,111

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business		1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire	549,460	295,340	302,566	542,234
2.	Allied lines	238,927	108,710	131,802	215,835
3.	Farmowners multiple peril		102	81	21
4.	Homeowners multiple peril	6,608,323	3,530,426	4,162,534	5,976,215
5.	Commercial multiple peril	8,389,581	4,924,445	4,550,257	8,763,769
6.	Mortgage guaranty				
8.	Ocean marine	6,535	4,816	3,191	8,160
9.	Inland marine	562,913	182,847	243,348	502,412
10.	Financial guaranty				
11.1	Medical professional liability - occurrence				
11.2	Medical professional liability - claims-made				
12.	Earthquake	3,980	2,295	2,302	3,973
13.	Group accident and health				
14.	Credit accident and health (group and individual)				
15.	Other accident and health				
16.	Workers' compensation	11,160,926	3,972,062	4,247,436	10,885,552
17.1	Other liability - occurrence	1,821,695	1,028,934	911,540	1,939,089
17.2	Other liability - claims-made	381,883	280,308	159,635	502,556
17.3	Excess workers' compensation	40,003	687,779	36,583	691,199
18.1	Products liability - occurrence	188,912	109,422	93,238	205,096
18.2	Products liability - claims-made				
19.1, 19.2	Private passenger auto liability	2,177,458	930,324	1,034,418	2,073,364
19.3, 19.4	Commercial auto liability	4,377,862	2,096,499	2,046,063	4,428,298
21.	Auto physical damage	1,697,309	828,163	772,858	1,752,614
22.	Aircraft (all perils)				
23.	Fidelity	8,055	2,310	3,537	6,828
24.	Surety	55,448		39,219	16,229
26.	Burglary and theft	217	205	135	287
27.	Boiler and machinery	1,814	3,185	4,610	389
28.	Credit				
29.	International				
30.	Warranty				
31.	Reinsurance - nonproportional assumed property	3,056,317	1,025,532	1,451,821	2,630,028
32.	Reinsurance - nonproportional assumed liability	312,653	177,811	126,348	364,116
33.	Reinsurance - nonproportional assumed financial lines				
34.	Aggregate write-ins for other lines of business				
35.	TOTALS	41,640,271	20,191,515	20,323,522	41,508,264
DETAILS OF WRITE-INS					
3401.	.....			
3402.	.....			
3403.	.....			
3498.	Summary of remaining write-ins for Line 34 from overflow page				
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)				

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

Line of Business		1	2	3	4	5
		Amount Unearned (Running One Year or Less from Date of Policy) (a)	Amount Unearned (Running More Than One Year from Date of Policy) (a)	Earned But Unbilled Premium	Reserve for Rate Credits and Retrospective Adjustments Based on Experience	Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire	302,566				302,566
2.	Allied lines	131,802				131,802
3.	Farmowners multiple peril	81				81
4.	Homeowners multiple peril	4,162,534				4,162,534
5.	Commercial multiple peril	4,550,257				4,550,257
6.	Mortgage guaranty					
8.	Ocean marine	3,191				3,191
9.	Inland marine	243,348				243,348
10.	Financial guaranty					
11.1	Medical professional liability - occurrence					
11.2	Medical professional liability - claims-made					
12.	Earthquake	2,302				2,302
13.	Group accident and health					
14.	Credit accident and health (group and individual)					
15.	Other accident and health					
16.	Workers' compensation	4,247,436				4,247,436
17.1	Other liability - occurrence	911,540				911,540
17.2	Other liability - claims-made	159,635				159,635
17.3	Excess workers' compensation	36,583				36,583
18.1	Products liability - occurrence	93,238				93,238
18.2	Products liability - claims-made					
19.1, 19.2	Private passenger auto liability	1,034,418				1,034,418
19.3, 19.4	Commercial auto liability	2,046,063				2,046,063
21.	Auto physical damage	772,858				772,858
22.	Aircraft (all perils)					
23.	Fidelity	3,537				3,537
24.	Surety	39,219				39,219
26.	Burglary and theft	135				135
27.	Boiler and machinery	4,610				4,610
28.	Credit					
29.	International					
30.	Warranty					
31.	Reinsurance - nonproportional assumed property	1,451,821				1,451,821
32.	Reinsurance - nonproportional assumed liability	126,348				126,348
33.	Reinsurance - nonproportional assumed financial lines					
34.	Aggregate write-ins for other lines of business					
35.	TOTALS	20,323,522				20,323,522
36.	Accrued retrospective premiums based on experience					
37.	Earned but unbilled premiums					
38.	Balance (Sum of Line 35 through 37)					20,323,522
DETAILS OF WRITE-INS						
3401.	.....				
3402.	.....				
3403.	.....				
3498.	Summary of remaining write-ins for Line 34 from overflow page					
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)					

(a) State here basis of computation used in each case

UNDERWRITING AND INVESTMENT EXHIBIT

Line of Business		1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1+2+3-4-5
			2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1.	Fire	380,869	1,656,931		1,488,340		549,460
2.	Allied lines	237,988	784,318		783,379		238,927
3.	Farmowners multiple peril						
4.	Homeowners multiple peril	1,178	28,542,469		21,935,324		6,608,323
5.	Commercial multiple peril	(4,437,611)	7,733,410		(5,093,782)		8,389,581
6.	Mortgage guaranty						
8.	Ocean marine		121,013		114,478		6,535
9.	Inland marine	11,479,919	1,122,182		12,039,188		562,913
10.	Financial guaranty						
11.1	Medical professional liability - occurrence						
11.2	Medical professional liability - claims-made						
12.	Earthquake	1,211	65,200		62,431		3,980
13.	Group accident and health						
14.	Credit accident and health (group and individual)						
15.	Other accident and health						
16.	Workers' compensation		11,160,601		(325)		11,160,926
17.1	Other liability - occurrence	1,321,372	3,033,268		2,532,945		1,821,695
17.2	Other liability - claims-made	43,638	673,734		335,489		381,883
17.3	Excess workers' compensation		40,003				40,003
18.1	Products liability - occurrence	746,243	188,910		746,241		188,912
18.2	Products liability - claims-made						
19.1, 19.2	Private passenger auto liability	2,546,885	15,108,108		15,477,535		2,177,458
19.3, 19.4	Commercial auto liability	1,301,162	4,390,039		1,313,339		4,377,862
21.	Auto physical damage	2,010,586	12,549,063		12,862,340		1,697,309
22.	Aircraft (all perils)						
23.	Fidelity	557	8,069		571		8,055
24.	Surety		55,448				55,448
26.	Burglary and theft	907	204		894		217
27.	Boiler and machinery	49,885	1,891		49,962		1,814
28.	Credit						
29.	International						
30.	Warranty						
31.	Reinsurance - nonproportional assumed property	XXX	3,056,317				3,056,317
32.	Reinsurance - nonproportional assumed liability	XXX	312,653				312,653
33.	Reinsurance - nonproportional assumed financial lines	XXX					
34.	Aggregate write-ins for other lines of business						
35.	TOTALS	15,684,789	90,603,831		64,648,349		41,640,271
DETAILS OF WRITE-INS							
3401.						
3402.						
3403.						
3498.	Summary of remaining write-ins for Line 34 from overflow page						
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)						

If yes: 1. The amount of such installment premiums \$

2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis \$

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

		Losses Paid Less Salvage				5	6	7	8
		1	2	3	4				
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Recovered	Net Payments (Cols. 1 + 2 -3)	Net Losses Unpaid Current Year (Part 2A , Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1.	Fire	379,522	1,172,552	1,046,964	505,110	38,980	81,663	462,427	85.3
2.	Allied lines	24,812	207,076	166,459	65,429	51,034	86,581	29,882	13.8
3.	Farmowners multiple peril								
4.	Homeowners multiple peril		9,340,939	5,317,530	4,023,409	1,054,455	1,478,207	3,599,657	60.2
5.	Commercial multiple peril	1,414,521	5,804,111	2,515,240	4,703,393	7,041,931	7,249,218	4,496,106	51.3
6.	Mortgage guaranty								
8.	Ocean marine		49,548	47,643	1,904	3,718	3,664	1,958	24.0
9.	Inland marine	4,307	828,322	184,212	648,417	(22,619)	69,160	556,638	110.8
10.	Financial guaranty								
11.1	Medical professional liability - occurrence								
11.2	Medical professional liability - claims-made								
12.	Earthquake					(4)		(4)	(0.1)
13.	Group accident and health								
14.	Credit accident and health (group and individual)								
15.	Other accident and health								
16.	Workers' compensation		5,776,129	747,392	5,028,737	8,719,285	6,881,719	6,866,303	63.1
17.1	Other liability - occurrence	151,730	3,149,686	2,113,255	1,188,162	3,188,488	4,561,839	(185,189)	(9.6)
17.2	Other liability - claims-made		99,236	15,000	84,236	74,099	69,969	88,366	17.6
17.3	Excess workers' compensation		569,609		569,609	3,170,503	2,013,049	1,727,063	249.9
18.1	Products liability - occurrence		30,606		30,606	122,895	74,119	79,382	38.7
18.2	Products liability - claims-made								
19.1, 19.2	Private passenger auto liability	3,195,709	7,927,027	9,358,911	1,763,825	2,203,343	2,690,724	1,276,444	61.6
19.3, 19.4	Commercial auto liability	902,894	2,919,795	1,505,118	2,317,570	5,266,459	3,953,029	3,631,000	82.0
21.	Auto physical damage	1,424,848	7,171,317	7,196,179	1,399,987	28,226	75,467	1,352,746	77.2
22.	Aircraft (all perils)								
23.	Fidelity		11,489	(142)	11,631	2,478		14,109	206.6
24.	Surety					5,983		5,983	36.9
26.	Burglary and theft		8,724		8,724	(82)		8,642	3,011.0
27.	Boiler and machinery	14,089	28,930	25,870	17,148	3,455	390	20,213	5,196.2
28.	Credit								
29.	International								
30.	Warranty								
31.	Reinsurance - nonproportional assumed property	XXX	374,513		374,513	(45,539)	308,000	20,974	0.8
32.	Reinsurance - nonproportional assumed liability	XXX	97,182		97,182	58,040	80,000	75,222	20.7
33.	Reinsurance - nonproportional assumed financial lines	XXX							
34.	Aggregate write-ins for other lines of business								
35.	TOTALS	7,512,432	45,566,792	30,239,631	22,839,593	30,965,128	29,676,798	24,127,923	58.1
DETAILS OF WRITE-INS									
3401.	.....							
3402.	.....							
3403.	.....							
3498.	Summary of remaining write-ins for Line 34 from overflow page								
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)								

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	80,132	354,119	288,499	145,752	(23,625)	(43,260)	39,887	38,980	(9,099)
2. Allied lines	(9,753)	53,469	2,171	41,545		34,660	25,171	51,034	10,105
3. Farmowners multiple peril									
4. Homeowners multiple peril		3,802,227	3,189,698	612,529	287	1,762,784	1,321,145	1,054,455	137,929
5. Commercial multiple peril	1,240,788	6,429,695	3,119,020	4,551,463	1,863,515	3,452,249	2,825,296	7,041,931	1,020,261
6. Mortgage guaranty									
8. Ocean marine		3,718		3,718				3,718	(2)
9. Inland marine		190,405	1,938	188,467		(185,038)	26,048	(22,619)	(11,519)
10. Financial guaranty									
11.1 Medical professional liability - occurrence									
11.2 Medical professional liability - claims-made									
12. Earthquake						(31)	(27)	(4)	666
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health								(a)	
16. Workers' compensation		7,761,928	2,886,960	4,874,968		3,340,673	(503,644)	8,719,285	1,648,316
17.1 Other liability - occurrence	291,676	3,850,552	2,294,232	1,847,996	647,397	2,554,433	1,861,338	3,188,488	841,636
17.2 Other liability - claims-made	10,000	46,034	10,000	46,034	30,863	28,065	30,863	74,099	5,485
17.3 Excess workers' compensation		1,746,148		1,746,148		1,424,355		3,170,503	65,842
18.1 Products liability - occurrence		63,791		63,791	95,772	59,233	95,901	122,895	43,303
18.2 Products liability - claims-made									
19.1, 19.2 Private passenger auto liability	2,596,854	8,594,622	9,540,189	1,651,287	695,233	3,578,101	3,721,278	2,203,343	214,559
19.3, 19.4 Commercial auto liability	633,084	3,405,494	1,330,574	2,708,004	828,126	2,900,497	1,170,168	5,266,459	719,487
21. Auto physical damage	18,322	(306,923)	(194,687)	(93,914)	227,446	124,987	230,293	28,226	70,025
22. Aircraft (all perils)									
23. Fidelity		4		4	196	2,805	527	2,478	2,451
24. Surety		83		83		5,900		5,983	2,424
26. Burglary and theft						(93)	(11)	(82)	20
27. Boiler and machinery	2,000	(1,744)	2,000	(1,744)		5,080	(119)	3,455	648
28. Credit									
29. International									
30. Warranty									
31. Reinsurance - nonproportional assumed property	XXX	438,152		438,152	XXX	(483,691)		(45,539)	(107,058)
32. Reinsurance - nonproportional assumed liability	XXX	111,064		111,064	XXX	(53,024)		58,040	(16,930)
33. Reinsurance - nonproportional assumed financial lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	4,863,103	36,542,838	22,470,594	18,935,347	4,365,210	18,508,685	10,844,114	30,965,128	4,638,549
DETAILS OF WRITE-INS									
3401.									
3402.									
3403.									
3498. Summary of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)									

(a) Including \$ for present value of life indemnity claims.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	1,077,366			1,077,366
1.2 Reinsurance assumed	14,903,289			14,903,289
1.3 Reinsurance ceded	9,111,620			9,111,620
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	6,869,035			6,869,035
2. Commission and brokerage:				
2.1 Direct excluding contingent		2,855,736		2,855,736
2.2 Reinsurance assumed, excluding contingent		14,394,838		14,394,838
2.3 Reinsurance ceded, excluding contingent		11,030,589		11,030,589
2.4 Contingent - direct		47,393		47,393
2.5 Contingent - reinsurance assumed		464,338		464,338
2.6 Contingent - reinsurance ceded		19,393		19,393
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		6,712,323		6,712,323
3. Allowances to managers and agents				
4. Advertising		22,102		22,102
5. Boards, bureaus and associations		504,425		504,425
6. Surveys and underwriting reports		182,977		182,977
7. Audit of assureds' records		66,093		66,093
8. Salary and related items:				
8.1 Salaries	1,443,568	3,195,233		4,638,801
8.2 Payroll taxes	119,577	264,675		384,252
9. Employee relations and welfare	212,139	469,554		681,693
10. Insurance	10,447	23,123		33,570
11. Directors' fees				
12. Travel and travel items	43,403	96,068		139,471
13. Rent and rent items	123,543	273,453		396,996
14. Equipment	234,929	519,997		754,926
15. Cost or depreciation of EDP equipment and software	235,084	520,342		755,426
16. Printing and stationery	16,593	36,726		53,319
17. Postage, telephone and telegraph, exchange and express	95,694	211,811		307,505
18. Legal and auditing	87,936	194,641		282,577
19. Totals (Lines 3 to 18)	2,622,913	6,581,220		9,204,133
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$		1,327,992		1,327,992
20.2 Insurance department licenses and fees		469,782		469,782
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		1,797,774		1,797,774
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	(2,622,913)	1,307,739	60,662	(1,254,512)
25. Total expenses incurred	6,869,035	16,399,056	60,662	(a) 23,328,753
26. Less unpaid expenses - current year	4,638,549	1,908,430		6,546,979
27. Add unpaid expenses - prior year	2,995,416	1,423,803		4,419,219
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	5,225,902	15,914,429	60,662	21,200,993
DETAILS OF WRITE-INS				
2401. Service fees and timeslip billings	(2,622,913)	(275,109)		(2,898,022)
2402. Service fees		1,398,581		1,398,581
2403. Miscellaneous expense		184,267		184,267
2498. Summary of remaining write-ins for Line 24 from overflow page			60,662	60,662
2499. Totals (Lines 2401 thru 2403 plus 2498)(Line 24 above)	(2,622,913)	1,307,739	60,662	(1,254,512)

(a) Includes management fees of \$ to affiliates and \$ to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) .....41,609	.....41,228
1.1	Bonds exempt from U.S. tax	(a) .....987,797	.....820,768
1.2	Other bonds (unaffiliated)	(a) .....1,765,259	.....1,657,117
1.3	Bonds of affiliates	(a) .....	.....
2.1	Preferred stocks (unaffiliated)	(b) .....116,010	.....98,095
2.11	Preferred stocks of affiliates	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5	Contract loans .....	.....	.....
6	Cash, cash equivalents and short-term investments	(e) .....20,277	.....20,277
7	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....(5,505)	.....(5,505)
10.	Total gross investment income	2,925,447	2,631,980
11.	Investment expenses		(g) .....60,662
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income .....		.....
16.	Total deductions (Lines 11 through 15) .....		.....60,662
17.	Net investment income (Line 10 minus Line 16)		2,571,318
DETAILS OF WRITE-INS			
0901.	Other Income .....	.....(5,505)	.....(5,505)
0902.	.....	
0903.	.....	
0998.	Summary of remaining write-ins for Line 9 from overflow page		
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	.....(5,505)	.....(5,505)
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)		

- (a) Includes \$80,029 accrual of discount less \$658,304 amortization of premium and less \$288,636 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$20,021 accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	2,043		2,043		
1.1	Bonds exempt from U.S. tax	1,251,015		1,251,015		
1.2	Other bonds (unaffiliated)	803,742	(34,087)	769,655	95,245	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)	47,185		47,185	(12,491)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)					
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets				(71,463)	
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	2,103,985	(34,087)	2,069,898	11,291	
DETAILS OF WRITE-INS						
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page					
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)					

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens.....			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income.....			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	746,955	755,730	8,775
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums	6,888	5,292	(1,596)
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	356,112	299,866	(56,246)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,109,955	1,060,888	(49,067)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	1,109,955	1,060,888	(49,067)
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)			
2501. Miscellaneous receivable	356,112	299,866	(56,246)
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	356,112	299,866	(56,246)

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of North East Insurance Company, (the “Company” or “NEIC”) are presented on the basis of accounting practices prescribed or permitted by Maine Bureau of Insurance.

The Maine Bureau of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Maine for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maine Insurance Law. The National Association of Insurance Commissioners’ (NAIC) Accounting Practices and Procedure manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the Maine Insurance Law. The Maine Superintendent has the right to permit other special practices that deviate from prescribed NAIC Accounting Practices and Procedures.

A reconciliation of the Company’s net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Maine is shown below:

	State of Domicile	2012	2011
<u>Net Income</u>			
NEIC, Statutory basis	ME	\$ (800,782)	\$ 59,353
State Prescribed Practices that increase/(decrease) NAIC SAP	ME	-	-
State Permitted Practices that increase/(decrease) NAIC SAP	ME	-	-
NAIC SAP	ME	<u>\$ (800,782)</u>	<u>\$ 59,353</u>
<u>Surplus</u>			
NEIC, Statutory basis	ME	\$ 30,243,146	\$ 31,037,633
State Prescribed Practices that increase/(decrease) NAIC SAP	ME	-	-
State Permitted Practices that increase/(decrease) NAIC SAP	ME	-	-
NAIC SAP	ME	<u>\$ 30,243,146</u>	<u>\$ 31,037,633</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums are generally earned pro-rata over the period the coverage is provided. Unearned premium represent the portion of premium written which is applicable to the unexpired term of the policies in force. The unearned premium reserve is computed by pro-rata methods for direct, assumed and ceded business.

Expenses incurred in connection with acquiring new business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the Company uses the following accounting policies:

1. Investment grade short-term bonds are stated at amortized cost. Non-investment grade short-term bonds are stated at the lower of amortized cost or fair value.
2. Investment grade bonds, not backed by other loans, are stated at amortized cost using the scientific interest method. Non-investment grade bonds with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value.
3. Common stocks, other than investments in stocks of subsidiaries and affiliates are stated at fair value. Investment in affiliates is stated at statutory equity.
4. Investment grade redeemable preferred stocks are stated at amortized cost. Investment grade perpetual preferred stocks are stated at fair value. Non-investment grade preferred stocks are stated at the lower of amortized cost or fair value.
5. Mortgage Loans – not applicable.
6. Investment grade loan-backed securities are stated at amortized value. Non-investment grade loan-backed securities are stated at lower of amortized cost or fair value. The retrospective adjustment method is used to amortize all securities, excluding the structured securities below AA category which is amortized prospectively.
7. The Company carries no investment in subsidiaries, controlled or affiliated companies.
8. Investments in limited partnerships are carried at the underlying audited GAAP equity value of the investee or at fair value.
9. Derivative Investments – not applicable.
10. The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period such estimate is determined.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

- 12. Capitalization policy changed from the prior period – not applicable.
- 13. Estimate pharmaceutical rebate receivables – not applicable.

2. Accounting Changes and Corrections of Errors

- A. During 2011, the NAIC adopted Statement of Statutory Accounting Principles No. 101 – Income Taxes, a replacement of SSAP No. 10R and SSAP No. 10 (“SSAP 101”). SSAP 101 is effective January 1, 2012 and includes the same calculation of limitation of DTA admissibility as SSAP 10R for insurers that maintain a minimum of 300% of their authorized control level RBC computed without net deferred tax assets. The Company exceeded the 300% minimum for RBC requirement at December 31, 2012 and 2011 and expects to exceed this minimum throughout 2013. SSAP 101 also changes the recognition and measurement criteria for contingent tax liabilities. SSAP 101 did not have any material effect on the results of operations for 2012.
- B. During the current year's financial statement preparation, the Company discovered misstatements in the reporting of profit commissions, miscellaneous expenses and federal income taxes which are related to prior year financial statements. The misstatements are related to the (1) contingent agent commission accrual, (2) recognition of prior year professional fee expenses, and (3) federal income taxes. Federal income taxes include both the effects of return to provision differences resulting from the filing of the 2011 tax return, as well as corrections of the December 31, 2011 net deferred tax asset. The following reflects the impact of the correction on net income, total assets and total liabilities as presented in the December 31, 2011 financial statements as reported:

	Total Admitted Assets	Total Liabilities	Total Capital and Surplus	Total Liabilities and Capital and Surplus	Net Income (Loss)
December 31, 2011 as Reported	\$ 103,444,118	\$ 72,406,485	\$ 31,037,633	\$ 103,444,118	\$ 59,353
Federal income tax payable/recoverable	(127,897)	-	(127,897)	(127,897)	(127,897)
Change in admitted deferred tax asset	133,133		133,133	133,133	
Profit commission	28,000		28,000	28,000	28,000
Other underwriting expenses	80,439		80,439	80,439	80,439
Total Prior Year Restatement	113,675	-	113,675	113,675	(19,458)
December 31, 2011 Adjusted	\$ 103,557,793	\$ 72,406,485	\$ 31,151,308	\$ 103,557,793	\$ 39,895

In the December 31, 2012 statutory financial statements these misstatements were reported as adjustments to the beginning statutory surplus.

- C. For comparative purposes, a reclassification has been made to the prior year presentation to conform to the current year presentation.

3. Business Combinations and Goodwill

- A. Statutory Purchase Method – not applicable.
- B. Statutory Merger – not applicable.
- C. Impairment Loss – not applicable.

4. Discontinued Operations – not applicable.

5. Investments

- A. The Company has no mortgage loans.
- B. The Company has no debt and performed no debt restructuring.
- C. The Company has no reverse mortgages.
- D. Loan-Backed Securities:
 - 1. For RMBS Loan Backed Securities, prepayment assumptions are obtained using Andrew Davidson & Co's Loan Dynamics model. CMBS Loan Backed Securities are protected against prepayments therefore any cash flow variability is driven mostly by defaults and recovery, not prepay optionality.
 - 2. All securities within the scope of this statement with a recognized other-than-temporary impairment, (“OTTI”), disclosed in the aggregate, classified on the basis for the other-than-temporary impairments:
 - a) Intent to sell – not applicable.
 - b) Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis – not applicable.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

3. For each security, by CUSIP, with a recognized OTTI, currently held by the reporting entity, as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities:

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI *	Amortized Cost After Current Period OTTI	Fair Value at time of OTTI	Date of Financial Statement Where Reported
55313KAP6	\$ 892,308	\$ 883,240	\$ (9,068)	\$ 885,544	\$ 860,489	6/30/2012
61753JAF6	4,723,519	4,698,500	(25,019)	4,700,337	4,899,420	6/30/2012
Total	\$ 5,615,827	\$ 5,581,740	\$ (34,087)	\$ 5,585,881	\$ 5,759,909	

* Fair value is reported at the end of the reporting period and the OTTI is calculated on the second month of each quarter.

4. in earnings as a realized loss (including securities with a recognized OTTI for non-interest related declines when a non-recognized interest related impairment remains):

a) The aggregate amount of unrealized losses:

1. Less than 12 Months	\$ 4,085
2. 12 Months or Longer	\$ -

b) The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months	\$ 393,278
2. 12 Months or Longer	\$ -

5. Management regularly reviews the Company’s fixed-maturity and equity security portfolios to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value of investments. In evaluating potential impairment, management considers, among other criteria:

- i. the overall financial condition of the issuer;
- ii. the current fair value compared to amortized cost or cost, as appropriate;
- iii. the length of time the security’s fair value has been below amortized cost or cost;
- iv. specific credit issues related to the issuer such as changes in credit rating, reduction or elimination of dividends or non-payment of scheduled interest payments;
- v. whether management intends to sell the security and, if not, whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis;
- vi. specific cash flow estimations for certain mortgage-backed and asset-backed securities;
- vii. current economic conditions. If an OTTI is determined for a fixed-maturity security, and management does not intend to sell and it is more likely than not that it will not be required to sell the security before recovery of cost or amortized cost, the credit portion is included in the statement of income in net realized investment gains (losses) and the non-credit portion is included in other comprehensive net income. The credit portion results in a permanent reduction of the cost basis of the underlying investment and the security is amortized to the expected recovery amount. The determination of OTTI is a subjective process and different judgments and assumptions could affect the timing of loss realization;
- viii. management implemented a threshold policy on impairments, whereby any individual security with a loss under \$10 thousand, is deemed to be immaterial and will not be impaired.

E. The Company has no repurchase agreements or securities lending transactions.

F. Real Estate – not applicable.

G. Low-income housing tax credits – not applicable.

6. Joint Ventures, Partnerships and Limited Liability Companies

A. Investments in joint ventures, partnerships and limited liability companies that exceed 10% of the Company’s admitted assets – not applicable.

B. Investments in impaired joint ventures, partnerships and limited liability companies – not applicable.

7. Investment Income

A. Due and Accrued Investment Income

The Company did not exclude any due and accrued investment income from surplus.

B. Amounts Non-admitted – not applicable.

8. Derivative Instruments – not applicable.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

9. Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.

	12/31/2012			12/31/2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Gross deferred tax assets	\$ 3,790,633	\$ 29,429	\$ 3,820,062	\$ 3,702,166	\$ 46,462	\$ 3,748,628	\$ 88,467	\$ (17,033)	\$ 71,434
(b) Statutory valuation allowance adjustments	-	-	-	-	-	-	-	-	-
(c) Adjusted gross deferred tax assets (1a - 1b)	3,790,633	29,429	3,820,062	3,702,166	46,462	3,748,628	88,467	(17,033)	71,434
(d) Deferred tax assets nonadmitted	-	-	-	-	-	-	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	3,790,633	29,429	3,820,062	3,702,166	46,462	3,748,628	88,467	(17,033)	71,434
(f) Deferred Tax Liabilities	715,649	29,429	745,078	690,709	46,462	737,171	24,940	(17,033)	7,907
(g) Net admitted deferred tax asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 3,074,984	\$ -	\$ 3,074,984	\$ 3,011,457	\$ -	\$ 3,011,457	\$ 63,527	\$ -	\$ 63,527

During 2011 the NAIC adopted Statement of Statutory Accounting Principles No. 101 – Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10 (“SSAP 101”). SSAP 101 is effective January 1, 2012 and includes the same calculation for limitation of DTA admissibility as SSAP 10R for insurers that maintain a minimum of 300% of their authorized control level RBC computed without net deferred tax assets. The Company exceeded the 300% minimum RBC requirement at December 31, 2011 and 2010 and expects to exceed this minimum throughout 2013. SSAP 101 also changes the recognition and measurement criteria for contingent tax liabilities. Management has evaluated SSAP 101 and believes it will have no material effect on the results of operations for 2013 and beyond.

2.

	12/31/2012			12/31/2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admission Calculation Components SSAP No. 101									
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -	\$ 787,455	\$ -	\$ 787,455	\$ (787,455)	\$ -	\$ (787,455)
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding The Amount of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	3,208,217	-	3,208,217	2,402,962	-	2,402,962	805,255	-	805,255
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	3,208,207	-	3,208,217	2,402,962	-	2,402,962	N/A	N/A	805,255
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	4,075,224		4,075,224	2,603,385		2,603,385	N/A	N/A	1,471,839
(c) Adjusted Gross Deferred Tax Assets (Excluding the Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	(133,233)	-	(133,233)	(178,960)	-	(178,960)	45,727	-	45,727
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	\$ 3,074,984	\$ -	\$ 3,074,984	\$ 3,011,457	\$ -	\$ 3,011,457	\$ 63,527	\$ -	\$ 63,527

3.

	2012	2011
(a) Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	613.20%	N/A
(b) Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in 2(b)2 Above	\$ 30,243,146	-

4.

	12/31/2012			12/31/2011			Change		
	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent
Impact of Tax Planning Strategies									
(a) Adjusted Gross DTAS (%of Total Adjusted Gross DTAs)	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%
(b) Net Admitted Adjusted Gross DTAS (%of Total Net Admitted Adjusted Gross DTAs)	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%
(c) The Company's tax planning strategies did not include the use of reinsurance-related tax planning strategies.									

B. Unrecognized DTLs – not applicable.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

C. Current Tax and Change in Deferred Tax

1. Current income tax

	12/31/2012	12/31/2011	Change
(a) Federal	\$ (998,729)	\$ (58,555)	\$ (940,174)
(b) Foreign		-	-
(c) Subtotal	(998,729)	(58,555)	(940,174)
(d) Federal income tax on net capital gains	533,691	343,269	190,422
(e) Utilization of capital loss carryforwards			-
(f) Other	51,241	(193,676)	244,919
(g) Federal and foreign income taxes incurred	\$ (413,797)	\$ 91,038	\$ (504,835)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

2. Deferred tax assets:

	12/31/2012	12/31/2011	Change
(a) Ordinary:			
(1) Discounting of unpaid losses	\$ 1,202,472	\$ 1,139,436	\$ 63,036
(2) Unearned premium reserve	1,457,093	1,444,563	12,530
(3) Policyholder reserves			-
(4) Investments	77,109	-	77,109
(5) Deferred acquisition costs			-
(6) Policyholder dividends accrual			-
(7) Fixed assets & Intangibles			-
(8) Compensation and benefits accrual	-	-	-
(9) Pension accrual			-
(10) Receivables - nonadmitted			-
(11) Other assets - nonadmitted	124,639	371,310	(246,671)
(12) Net operating loss carry-forward	808,827	746,857	61,970
(13) Tax credit carry-forward	120,493		120,493
(14) Deferred Rent			-
(15) Other (including items <5% of total ordinary tax assets)			-
(99) Subtotal	3,790,633	3,702,166	88,467
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	-	-	-
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	3,790,633	3,702,166	88,467
(e) Capital			
(1) Investments	14,797	2,866	11,931
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(5) Unrealized capital losses	14,632	43,596	(28,964)
(99) Subtotal	29,429	46,462	(17,033)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	29,429	46,462	(17,033)
(i) Admitted deferred tax assets (2d + 2h)	\$ 3,820,062	\$ 3,748,628	\$ 71,434

3. Deferred tax liabilities:

	12/31/2012	12/31/2011	Change
(a) Ordinary:			
(1) Investments	\$ (7,103)	\$ (34,811)	\$ 27,708
(2) Fixed assets - Capital Lease	-	-	-
(3) Deferred and uncollected premiums	-	-	-
(4) Policyholder reserves	(11,860)	(33,347)	21,487
(5) Discount of accrued salvage and subrogation			-
(6) Other (including items <5% of total ordinary tax liabilities)			-
(99) Subtotal	(18,963)	(68,158)	49,195
(b) Capital			
(1) Investments	(726,115)	(669,013)	(57,102)
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(4) Unrealized capital gains			-
(99) Subtotal	(726,115)	(669,013)	(57,102)
(c) Deferred tax liabilities (3a99 + 3b99)	(745,078)	(737,171)	(7,907)

4.

Net deferred tax assets/liabilities (2i-3c)	\$ 3,074,984	\$ 3,011,457	\$ 63,527
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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	12/31/2012	12/31/2011	Change
Total deferred tax assets	\$ 3,820,060	\$ 3,748,628	\$ 71,432
Total deferred tax liabilities	(745,075)	(737,171)	(7,904)
Net deferred tax assets/liabilities	3,074,987	3,011,457	63,530
Statutory valuation allowance adjustment (*see explanation below)	-	-	-
Net deferred tax assets/liabilities after SVA	3,074,985	3,011,457	63,528
Tax effect on unrealized gain/(losses)	(14,632)	(43,596)	28,964
Statutory valuation allowance adjustment allocated to unrealized (+)	-	-	-
Tax effect of SSAP No. 3 adjustments		133,133	(133,133)
Change in net deferred income tax [(charge)/benefit]	\$ 3,060,353	\$ 3,100,994	\$ (40,641)

SSAP No. 3 Impact	Current	Deferred	Total
Loss Reserves	\$ 12,468	\$ (12,468)	\$ -
Investment	(145,601)	145,601	-
Fixed Assets and Intangibles	-	-	-
Net Operating Loss	-	-	-
Other	5,236	-	5,236
Valuation Allowance	-	-	-
Total SSAP No. 3 Adjustments	\$ (127,897)	\$ 133,133	\$ 5,236

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	12/31/2012	Effective Tax Rate
Provision computed at statutory rate	\$ (405,501)	35.00%
Tax-Exempt Interest	(325,623)	28.11%
Dividends Received Deduction	(4,401)	0.38%
Proration	49,504	-4.27%
Meals & Entertainment	-	0.00%
Change in Statutory Valuation Allowance Adjustment	-	0.00%
Change in nonadmitted assets	246,671	-21.29%
Prior Year True Up	66,194	-5.71%
State Tax Expenses	-	0.00%
Foreign Tax Expense	-	0.00%
Others	-	0.00%
Total	\$ (373,154)	32.21%
Federal and Foreign Income Taxes incurred	(947,486)	81.78%
Tax on Realized Capital Gains/(Losses)	533,691	-46.06%
Change in net deferred income taxes	40,641	-3.51%
Total statutory income taxes	\$ (373,154)	32.21%

E. Operating Loss and Tax Carryforwards

1. At December 31, 2012 the company has unused operating loss carryforwards available to offset against future taxable income - \$2,310,934.

At December 31, 2012, The Company has no capital loss carryforwards.

At December 31, 2012, The Company has AMT credit carryforwards - \$120,493.

2. The following is income tax expense for 2012 and 2011 that is available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
2012	-	-	-
2011	-	-	-
Total	-	-	-

3. The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

NOTES TO FINANCIAL STATEMENTS

F. Consolidated Federal Income Tax Return

1. The Company's federal income tax return is consolidated with the following entities:

- i. Tower Group, Inc.
- ii. Tower Risk Management Corp.
- iii. Tower Insurance Company of New York
- iv. Tower National Insurance Company
- v. Preserver Group, Inc.
- vi. Preserver Insurance Company
- vii. North East Insurance Company
- viii. North Atlantic Underwriters, Inc.
- ix. Mountain Valley Indemnity Company (January 1, 2012 to February 1, 2012)
- x. Ocean II Corp.
- xi. Ocean I Corp.
- xii. CastlePoint Bermuda Holdings, Ltd.
- xiii. CastlePoint Management Corp.
- xiv. CastlePoint Reinsurance Company, Ltd.
- xv. CastlePoint Insurance Company
- xvi. CastlePoint Florida Insurance Company
- xvii. HIG, Inc.
- xviii. Hermitage Insurance Company
- xix. Kodiak Insurance Company
- xx. Specialty Underwriters Alliance, Inc.
- xxi. CastlePoint National Insurance Company (f.k.a. SUA Insurance Company)
- xxii. CastlePoint Risk Management of Florida, Corp.
- xxiii. Massachusetts Homeland Insurance Company
- xxiv. York Insurance Company of Maine

2. The method of allocation among companies is subject to a written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for any net operating losses or other items utilized in the consolidated tax return.

G. Federal of Foreign Income Tax Loss Contingencies

The Company has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. The Company is a wholly owned subsidiary of Tower Insurance Company of New York ("TICNY"), which is ultimately owned by Tower Group, Inc. a Delaware holding Company.
- B. The Company did not have any transactions with its Parent, Subsidiaries and Affiliates (excluding reinsurance transactions, any non-insurance transactions that are less than 1/2 of 1% of the total admitted assets, and cost allocations transactions).
- C. The Company did not change its methods of establishing terms regarding any affiliate transactions during the period ended December 31, 2012.
- D. At December 31, 2012, the Company reported \$22,515,357 as an amount due from the parent, subsidiaries, and affiliates. The terms of the settlement require that these amounts be settled within 45 days. Settlement of intercompany balances can be in the form of cash, securities or a combination thereof.
- E. The Company has not entered into any guarantees or undertakings for the benefit of any affiliate. Refer to Note 14 for disclosure of any contingencies.
- F. The Company has a Service & Expense Sharing Agreement with its affiliate, Tower Insurance Company of New York ("TICNY"). TICNY is the employer of staff that provides services to its affiliates under Tower Group, Inc. that are participants in the Tower Pooling Agreement. Underwriting and Claim expenses are handled through the Pooling Agreement, however the Service & Expense Sharing Agreements are in place for other services performed by TICNY employees on behalf of the Company.
- G. All outstanding shares of the Company are owned by TICNY.
- H. The Company has no amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity.
- I. The Company has no investment in an SCA entity that exceeds 10% of admitted assets of the insurer.
- J. The Company did not recognize any impairment write down for its investments in subsidiary, controlled or affiliated companies during the statement period.
- K. Investment in a foreign insurance subsidiary – not applicable.
- L. Investment in a downstream non-insurance holding company – not applicable.

11. Debt

- A. Debt including capital notes – not applicable.
- B. FHLB (Federal Home Loan Bank) agreements – not applicable.

NOTES TO FINANCIAL STATEMENTS

12. Retirement Plans, Deferred Compensation, Post Employment Benefits, Compensated Absences and Other Post Retirement Benefit Plans

- A. The Company does not sponsor a defined benefit plan.
- B. Tower Group, Inc. ("TGI") employees are covered by a qualified defined contribution pension plan, the 401(k) and Profit Sharing Plan, sponsored by TGI. TGI matches \$.50 for each dollar employees contribute to the plan, up to 8.0% of each employee's compensation, each year. TGI's contribution for the plan was \$3,636,565 and \$3,198,951 for the years ended December 31, 2012 and 2011, respectively.
- C. The Company does not sponsor a multiemployer plan.
- D. Certain TGI employees are covered by a non-qualified Supplemental Employee Retirement Plan ("SERP") sponsored by TGI. Eligibility is based on officer level and length of service. TGI contributes a percentage of each employee's eligible earnings ranging from 1.0% to 5.0% of earnings annually. TGI's contribution for the plan was \$562,003 and \$777,944 for the years ended December 31, 2012 and 2011, respectively. The plan also permits eligible employees to make voluntary non-qualified deferrals to the plan from base salary and/or cash bonus compensation.
- E. Accrued for Post-employment Benefit and Compensated Absences – not applicable.
- F. Impact of Medicare Modernization Act on Post-retirement Benefits – not applicable.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

- 1. The Company has 12,000,000 shares of \$1.0 par value common stock authorized and 3,049,000 shares issued and outstanding.
- 2. The Company has no preferred stock outstanding.
- 3. Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, Maine, to \$3,103,763.
- 4. There were no dividends paid by the Company.
- 5. Within the limitations of (3) above, there are no other restrictions placed on the portion of Company profits that may be paid as ordinary dividends to the Company's shareholders.
- 6. There are no restrictions on the unassigned funds (surplus) of the Company other than those described above in paragraphs (3) and (5) and these unassigned funds (surplus) are held for the benefit of shareholders and policyholders.
- 7. The Company is not a mutual company.
- 8. The Company holds no stocks of affiliated companies held for special purposes.
- 9. Changes in balances of special surplus funds from the prior year are due to the adoption of SSAP No. 10R, effective December 31, 2009.
- 10. The portion of unassigned funds (surplus) represented or reduced by each of the following items as of December 31, 2012:
 - i) unrealized gains and (losses) – \$(514,160);
 - ii) non-admitted asset values - \$1,109,955;
 - iii) separate account balances – not applicable;
 - iv) asset valuation reserves – not applicable;
 - v) provision for reinsurance – not applicable.
- 11. Surplus Notes – not applicable.
- 12. Impact of any restatements due to quasi-reorganizations – not applicable.
- 13. Effective date of all quasi-reorganizations in the prior 10 years – not applicable.

14. Contingencies

- A. Contingent commitments – not applicable.
- B. Assessments

- 1. As of December 31, 2012, the Company has not received any notifications from any insolvency or any other regulatory entity for any possible assessment; therefore, the Company does not expect any insolvencies or assessments. At this time, the Company is unable to determine the possible amounts, if any of such assessments. Accordingly, the Company is unable to determine the impact, if any, such assessments may have on the Company's financial position or results of operation.

Premium based assessments, the event that obligates the entity is writing the premiums, or being obligated to write or renew the premiums on which the assessments are expected to be based. Some states require the entity to remain liable for assessments even though the insurance entity discontinues the writing of premiums. As such, a liability is recognized once this condition has been met. Pursuant to SSAP No. 35R, Guaranty Fund and Other Assessments, the accrual of prospective-premium based assessments is based on and limited in the same manner for which the liability is recognized. Premium base and loss base assessments for the Tower US pool (refer to Note 26) for various insurance departments and boards were \$8,636,542 and \$6,706,646 for 2012 and 2011, respectively. These liabilities are usually paid in the calendar year following the establishment of the liability and/or within two years. Actual assessments have resulted in differences to the original estimated liability. As a result, the Tower US pool paid \$4,290,687 and \$6,808,612 for 2012 and 2011, respectively. State guaranty assessments are paid when notified by the state, usually a three year period. Premium tax offset or assets for guaranty fund payments in most states are realized within five years of the payment of the guaranty fund assessment.

The amount of recognized liabilities for premium base assessments and loss base assessments are shared by the pool participants in their respective pool percentages.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

- 2.
- | | | |
|---|----|--------|
| a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end | \$ | - |
| b. Decreases current year: | | |
| Policy surcharges paid | \$ | - |
| Premium base and loss base assessments paid | \$ | - |
| Premium tax offset applied | \$ | - |
| c. Increases current year: | | |
| Policy surcharges collected | \$ | - |
| Premium base and loss base assessments liability set up | \$ | - |
| Premium tax offset applied | \$ | 24,741 |
| d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end | \$ | 24,741 |
- C. Gain contingencies – not applicable.
- D. Claims related to extra contractual obligation and bad faith losses stemming from lawsuits – not applicable.
- E. Product Warranties – not applicable.
- F. All Other Contingencies – not applicable.

15. Leases

- A. Lessee Operating Lease:
1. As a participant of the Inter-company Pooling Arrangement, the Company incurs 4% of the expense associated with leased office space and equipment in various locations. Following the allocation of expenses among Pool members, the lease expense for the Company in 2012 and 2011 was approximately \$763,000 and \$587,000 respectively in each year.
2. The following details the Company’s future lease commitments as part of the Pool:

Year Ending December 31	Operating Leases
2013	\$ 756,935
2014	843,956
2015	1,033,682
2016	460,562
2017	423,897
Total	\$ 4,837,324

3. Sale-Leaseback Transactions – not applicable.
- B. Lessors Leases – not applicable.

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk – not applicable.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfer of Receivables as Sales – not applicable.
- B. Transfer and Servicing of Financial Assets – not applicable.
- C. Wash Sales – Not applicable.

18. Gain or Loss to the Insurer from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans

- A. Administrative Services Only (ASO) Plans – not applicable.
- B. Administrative Services Contract (ASC) Plans – not applicable.
- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts – not applicable.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Name and Address of Managing General Agent of Third Party Administration	FEIN Number	Exclusive Contract	Type of Business Written	Type of Authority Granted *	Total Direct Premium Written/ Prodeded By
Arrowhead General Insurance Agency, Inc. 701 B. Street Suite 2100 San Diego, CA 92101	33-0108914	No	Commercial Multi Peril Inland Marine	B, C, CA, P, U	\$ 2,476,177
Total					\$ 2,476,177

20. Fair Value Measurement

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

A.

1. Fair Value Measurement at Reporting Date

	(1)	(2)	(3)	(4)	(5)
Description	(Level 1)	(Level 2)	(Level 3)	Total	
a. Assets at fair value					
Perpetual Preferred stock					-
Industrial and Misc	\$ 1,014,261	\$ -	\$ -	\$	1,014,261
Parent, Subsidiaries and Affililates					-
Total Perpetual Preferred Stocks	1,014,261	-	-		1,014,261
Bonds					
U.S. Governments		-			-
Industrial and Misc		402,175			402,175
Hybrid Securities					-
Parent, Subsidiaries and Affililates					-
Total Bonds	-	402,175	-		402,175
Common Stock					
Industrial and Misc	-				-
Parent, Subsidiaries and Affililates	-				-
Total Common Stocks	-	-	-		-
Other Invested Assets					
Alternative Investments LP	3,428,537	-	-		3,428,537
Total Other Invested Assets	3,428,537	-	-		3,428,537
Derivative assets					
Interest rate contracts					
Foreign exchange contracts					
Credit contracts					
Commodity futures contracts					
Commodity forward contracts					
Total Derivatives	-	-	-		-
Separate account assets					
Total assets at fair value	\$ 4,442,798	\$ 402,175	\$ -	\$	4,844,973
b. Liabilities at fair value					
Derivative liabilities					
Total liabilities at fair value	\$ -	\$ -	\$ -	\$	-

The Company had no transfers between level 1 and level 2 of the fair value hierarchy.

2. The Company had no Level 3 assets at December 31, 2012 and December 31, 2011 that were valued at the fair value hierarchy.
3. No transfers were made between levels during the reporting period.
4. Fair value measurement:
 - a. The valuation technique used for fair value measurement is the Market approach. No change in technique was made during the reporting period.
 - b. Independent pricing services such as IDC or NAIC prices are used for fair valuation of assets categorized as Level 2. There were no assets categorized as Level 3 at the reporting date.
 - c. When measuring fair value, the Company process to validate the market prices obtained from the outside pricing sources include, but are not limited to, periodic evaluation of model pricing methodologies, the availability of observable inputs, market activity or liquidity. In circumstances where quoted market prices are unavailable, the Company utilizes fair value estimates based upon other observable inputs including matrix pricing, benchmarking interest rates, market comparables and other relevant inputs or based on unobservable inputs if observable inputs are not available.
5. The Company has no investments in derivatives.

B. Other Fair Value Disclosure – not applicable.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

C. Types of Financial Instruments for which it is Practicable to Estimate Fair Value

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable Carrying Value
Bonds	\$ 51,170,393	\$ 47,945,366	\$ -	\$ 51,170,393	\$ -	\$ -
Perpetual Preferred Stock	1,014,261	1,014,261	1,014,261	-	-	-
Redeemable Preferred Stock	827,800	835,392	827,800		-	-
Common Stocks (1)	-		-	-	-	-
Cash, Cash equivalent & Short term investments	324,877	324,877		324,877	-	-
Other Invested assets (carried at FV) (1) **	3,428,537	3,428,537	3,428,537		-	-
Receivable for securities	-	-		-	-	-
Total Assets	\$ 56,765,868	\$ 53,548,433	\$ 5,270,598	\$ 51,495,270	\$ -	\$ -
Financial Instruments-Liabilities	-	-	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: (1) Excludes affiliated common stock, surplus notes & Other invested assets which are reported under the Equity Method.

** Other invested asset - Merit LP Fund is reported at net asset value which is Fair Value.

D. Reasons not Practical to Estimate Fair Value – not applicable.

21. Other Items

- A. Extraordinary Items – not applicable.
- B. Troubled Debt Restructuring – not applicable.
- C. Assets in the amount of \$1,992,559 and \$1,987,846 as of December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law.
- D. Uncollectible Premiums Receivable – not applicable.
- E. Business Interruption Insurance Recoveries – not applicable.
- F. Transferable or Non-Transferable State Tax Credits.
- G. The Company has no Subprime Mortgage Related Risk Exposure – not applicable.

1. Subprime Mortgage Exposures

The Tower Group defines its exposure to subprime mortgage related risk through an analysis of the underlying collateral characteristics of its non-agency mortgage backed securities. Subprime collateral will generally be characterized by loans to borrowers with lower credit ratings, but may also include one or more of the following characteristics: incomplete or abbreviated loan documentation, higher loan to value ratios, non-conventional loan types, and other non-standard loan characteristics. The subprime designation is also cross-checked against market conventional definitions as reported by Loan Performance, rating agencies, Bloomberg, and Intex.

For all exposures rated below AA, OTTI analysis is performed whereby future security cash flows are modeled using industry standard loan level models. Unrealized losses are then deemed to be either temporary or other-than-temporary. If the losses are other-than-temporary, we record to impairment and adjust the book value to the new cost basis.

Future performance of securities and their intrinsic values are compared to market prices and trading levels in evaluating a buy/hold/sell strategy for existing positions. Trading of non-agency securities are managed by Tower Group asset managers in accordance to the management agreement which is approved by Tower Group's management as set forth in the Tower Group's Investment Policy Statement which has been approved by the Investment Committee of the Board of Directors.

- 2. Direct exposure through investments in subprime mortgage loans – not applicable.
- 3. Direct exposure through other investments – not applicable.
- 4. Underwriting Exposure – not applicable.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

22. Event Subsequent

- A. Type I – Recognized Subsequent Events – not applicable.
- B. Type II – Nonrecognized Subsequent Events:

On April 25, 2012, Tower Group, Inc. (“Tower”) entered into an agreement to invest approximately \$75 million to acquire a 10.7% stake in Canopus Group Limited (“Canopus Group”), a privately owned Lloyd’s insurance holding company domiciled in Guernsey, Channel Islands. Tower also entered into an agreement dated April 25, 2012 under which Canopus Group committed to assist Tower with the establishment of a presence at Lloyd’s of London (subject to required approvals) and granted Tower an option (the “Merger Option”) to combine with Canopus Holdings Bermuda Limited (“Canopus Bermuda”).

On August 20, 2012, Tower closed on its acquisition of a 10.7% stake in Canopus Group and paid \$74.9 million.

On July 30, 2012, Tower announced that it exercised the Merger Option and executed an Agreement and Plan of Merger with Canopus Bermuda pursuant to which a wholly-owned subsidiary of Canopus Bermuda will acquire all of Tower’s common stock. Before the merger can be effective, Tower will require an affirmative vote by its stockholders and approval from the Board of Directors. It is also a condition of closing that Canopus Group sells its interest in Canopus Bermuda prior to the closing of the pending merger. Tower currently anticipates the closing of the merger to take place in March 2013.

Upon consummation of the Merger, Canopus domiciled in Channel Islands will become the ultimate controlling person and the Company will be deemed under foreign control.

23. Reinsurance (000’s)

- A. Unsecured Reinsurance Recoverables that exceed 3.0% of the company’s policyholder surplus - not applicable.
- B. Reinsurance Recoverables in Dispute – not applicable.
- C. Reinsurance Assumed and Ceded:

(1)

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$ 46,149	\$ 8,703	\$ 32,667	\$ 5,623	\$ 13,482	\$ 3,081
b. All Other	-	-	-	-	-	-
c. Total	\$ 46,149	\$ 8,703	\$ 32,667	\$ 5,623	\$ 13,482	\$ 3,081
d. Direct Unearned Premium Reserve:	\$ 6,842					

(2) Additional or return commission predicated on loss experience or on any other form of profit sharing arrangements in this annual statement are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$ 208	\$ -	\$ -	\$ 208
b. Sliding Scale Adjustment	-	-	-	-
b. Other Profit Commission Arrangements				
d. Total	\$ 208	\$ -	\$ -	\$ 208

(3) Protected Cells – not applicable.

- D. Uncollectible Reinsurance – not applicable.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

E. Commutation of Ceded Reinsurance:

Mountain Valley Indemnity Company (“MVIC”) with 100% cession to the Tower Pool and a 3% assumption from the pool exited the Tower US pool, effective January 1, 2012 as a result of the sale of MVIC to an affiliate, Adirondack Insurance Exchange. MVIC returned its share of the December 31, 2011 unearned premiums and loss and loss adjustment expense reserves assumed from Tower US pool and received its gross unearned premium and loss and loss adjustment expense reserves from Tower US pool. The transaction was settled by a \$22.7 million transfer of securities by MVIC to Tower US pool. Tower pool reimbursed MVIC \$2.2 million in commissions on unearned premiums. The transaction was pooled among the pool members in their respective pool percentage. The details are as follows:

	Tower Pool
Unearned premium	\$ 15,144
Loss reserves	22,258
Loss adjustment expesne reserve	<u>\$2,246</u>
Total considaration settled by transfer of securities	<u><u>\$ 39,648</u></u>

The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts that are reflected as:

(1) Losses incurred	\$ -
(2) Losses adjustment expenses incurred	\$ -
(3) Premiums earned	\$ -
(4) Other	\$ (2,356)
(5) <u>Company</u>	<u>Amount</u>
TICNY	\$ 37,292
MVIC	\$ (37,292)

F. Retroactive Reinsurance – not applicable.

G. Reinsurance accounted for as a deposit – not applicable.

H. Disclosures for the transfer of property and casualty run-off agreements – not applicable.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. The Company estimates accrued retrospective premium not offset by retrospective return premiums, other liabilities to the same party (other than loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, Retrospectively Rates Contracts, has been non admitted.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. See Schedule P – Part 7A.
- D. The Company does not have medical loss ratio rebates.
- E. Ten percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, Retrospectively Rates Contracts, has been non admitted.

(000's)	TOTAL	TICNY	CPIC	CNIC	HIC	PIC	NEIC	TNIC
a. Total accrued retro premium	\$ 2,357	\$ 872	\$ 448	\$ 424	\$ 307	\$ 165	\$ 94	\$ 47
b. Unsecured amount	1,722	637	327	310	224	121	69	34
c. Less: Nonadmitted amounts (10%)	172	64	33	31	22	12	7	3
d. Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are Nonadmitted								
e. Admitted amounts	<u>\$ 2,185</u>	<u>\$ 808</u>	<u>\$ 415</u>	<u>\$ 393</u>	<u>\$ 285</u>	<u>\$ 153</u>	<u>\$ 87</u>	<u>\$ 44</u>

25. Change in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred losses and loss adjustment expense attributable to prior years has increased by \$2,542,000 as a result of re-estimation of unpaid loss and losses adjustment expenses principally on homeowners, worker's compensation, commercial auto/truck liability/medical, private passenger auto liability, commercial multi-peril and other liability lines of business. This increase is generally the result of on-going analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

Included in the total prior year favorable development, the Company experienced \$4,583 of unfavorable development on retrospectively rated policies in the workers compensation line of business. When losses increase on retrospectively rated policies, the Company may receive additional premiums subject to policy contract limits. Therefore, additional premium accruals have been made that largely offset the unfavorable development on these retrospectively rated policies (see Note 24).

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

26. Inter-Company Pooling Arrangements

Tower Insurance Company of New York - Pool Manager created an inter-company pool on January 1, 2008 to effectively manage the underwriting risk of certain companies of the Tower Group. Pool participants with their respective participation percentage as of December 31, 2012 in the pool are as follows:

Name of Insurer	NAIC Code	Participation
		Percentage
Tower Insurance Company of New York ("TICNY")	44300	37%
CastlePoint National Insurance Company ("CNIC")	17205	19%
CastlePoint Insurance Company ("CPIC")	40134	18%
Hermitage Insurance Company ("HIC")	18376	13%
Preserver Insurance Company ("PIC")	15586	7%
North East Insurance Company ("NEIC")	24007	4%
Tower National Insurance Company ("TNIC")	43702	2%

Mountain Valley Indemnity Company ("MVIC") with a 3% participation exited the pool on January 1, 2012 as a result of the sale of MVIC to Adirondack Insurance Exchange an affiliate. CastlePoint Insurance Company assumed 3% participation percentage of MVIC from TICNY and increased its participation to 19% effective January 1, 2012.

- Pool participants other than Pool Manager cede 100% of gross business (direct and assumed) to Pool Manager, and Pool Manager assumes 100% of gross business with respect to policies issued and assumed by the pool participants other than Pool Manager. All lines of business are subject to the pooling arrangement. The pool manager cedes to the pool participants their respective share of the pool including business written net of cessions on its own account.
- At the end of each quarter pool participants report to the Pool Manager premiums written, commissions, losses and LAE, salvage and subrogation recoveries received unearned premiums and outstanding losses and LAE ceded to the pool. In turn, the Pool Manager reports similar information to each pool participant based upon their respective share.
- The Pool Manager is responsible for securing reinsurance on the pool premiums from non affiliated re-insurers and affiliated insurer CastlePoint Reinsurance Co Ltd. Some pool participants have quota share reinsurance arrangements with other non pool participants. Business assumed from non pool insurance companies of the Tower Group by pool participants enters the pool through pool participants. Notwithstanding this process, each pool participant has a contractual right of direct recovery from its own facultative re-insurers per the terms of the reinsurance agreement.
- There are no discrepancies related to the pooled business between the assumed and ceded reinsurance schedules of the pool participants.
- The Pool Manager establishes a provision for reinsurance for the pool and reflects Schedule F penalty for the pool. Write-offs of uncollectible reinsurance are subject to the pooling arrangement and shared by all pool participants.
- The Pool Manager, TICNY, collects all premiums and pays all losses and related underwriting expenses on behalf of the members. Amounts due to or from TICNY, pool manager are settled in the next quarter. Amounts due to the pool participants as of December 31, 2012 are as follows:

Pool Participants	Due (to) from affiliates
TICNY	\$ 63,526,184
CPIC	(14,064,110)
CNIC	(21,388,036)
HIC	(11,247,585)
PIC	(6,121,208)
NEIC	(3,344,606)
TNIC	(7,360,639)
TOTAL	<u>\$ -</u>

- Settlement of intercompany balances can be in the form of cash, securities or a combination thereof.

27. Structured Settlements

- A. Loss reserves eliminated by annuities and unrecorded loss contingencies – not applicable.
- B. Annuities for which the Company has not obtained a release of liability from the claimant as a result of the purchase of an annuity – not applicable.

28. Health Care Receivables

- A. Pharmaceutical rebate receivables – not applicable.
- B. Risk sharing receivables – not applicable.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

29. Participating Policies – not applicable.

30. Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	\$0
2. Date of the most recent evaluation of this liability	12/31/2012
3. Was anticipated investment income utilized in the calculation?	No

31. High Deductibles

As of December 31, 2012 and 2011, the amount of reserve credit recorded for high deductibles on unpaid claims was \$462,000 and \$292,680, respectively, and the amount billed and recoverable on paid claims was \$0 and \$0, respectively.

32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

The Company discounts a portion of its workers compensation and general liability losses. The table used was the current life tables from the US government web page of SSI (2005 tables were used). An interest rate of 4.0% was used to discount the cash flow up to \$1 million. For the business discounted the Company has significant reinsurance for 2010 and prior in place above \$1 million, therefore there is no impact to the Company for losses over \$1 million. For 2011 the Company retained 17.5% of losses excess of \$2 million and ceded 100% of losses excess of \$5 million. For 2012 the Company retained 50% of losses excess of \$2 million and ceded 100% of losses excess of \$5 million.

Summary of tabular discounts:

<u>Schedule P Lines of Business</u>	<u>Tabular Discount Included in Sch. P, Part 1* (000's)</u>	
	<u>CASE</u>	<u>IBNR</u>
Workers Compensation	\$84	\$84
Other Liability	83	84
Total	\$167	\$168

* Must exclude medical loss reserves and all loss adjustment expense reserves.

33. Asbestos/Environmental Reserves – not applicable.

34. Subscriber Savings Account – not applicable.

35. Multiple Peril Crop Insurance – not applicable.

36. Financial Guaranty Insurance – not applicable.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

Maine

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2009

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2009

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

11/29/2011

3.4

By what department or departments?

Maine Bureau of Insurance

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☐ No ☐ N/A ☒

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ N/A ☐

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes ☐ No ☒

4.22 renewals?

Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

7.2

If yes,

7.21 State the percentage of foreign control;

%

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1	2
Nationality	Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
.....
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
.....

1	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Pricewaterhouse Coopers LLP 300 Madison Ave New York, NY 10017
- 10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [] No [X]
- 10.2

If the response to 10.1 is yes, provide information related to this exemption:
.....
- 10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes [] No [X]
- 10.4

If the response to 10.3 is yes, provide information related to this exemption:
.....
- 10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [] No [] N/A [X]
- 10.6

If the response to 10.5 is no or n/a, please explain
Ultimate Parent, Tower Group, Inc. has an Audit Committee
11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Yi Jing, Towers Watson 175 Powder Forest Drive Weatogue, CT 06089-9658
- 12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]
- 12.11 Name of real estate holding company
- 12.12 Number of parcels involved
- 12.13 Total book/adjusted carrying value\$
- 12.2

If, yes provide explanation:
.....
13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
.....
- 13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 13.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] N/A []
- 14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X] No []
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 14.11

If the response to 14.1 is No, please explain:
.....
- 14.2

Has the code of ethics for senior managers been amended?

Yes [] No [X]
- 14.21

If the response to 14.2 is yes, provide information related to amendment(s).
.....
- 14.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [] No [X]
- 14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).
.....

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

GENERAL INTERROGATORIES

- 15.1

Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List?

Yes [] No [X]
- 15.2

If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

BOARD OF DIRECTORS

16.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
17.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
18.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person?

Yes [X] No []

FINANCIAL

19.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [] No [X]
- 20.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers

\$ 0

20.12 To stockholders not officers

\$ 0

20.13 Trustees, supreme or grand (Fraternal Only)

\$ 0
- 20.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers

\$ 0

20.22 To stockholders not officers

\$ 0

20.23 Trustees, supreme or grand (Fraternal Only)

\$ 0
- 21.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [] No [X]
- 21.2

If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others

\$

21.22 Borrowed from others

\$

21.23 Leased from others

\$

21.24 Other

\$
- 22.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [] No [X]
- 22.2

If answer is yes:

22.21 Amount paid as losses or risk adjustment

\$

22.22 Amount paid as expenses

\$

22.23 Other amounts paid

\$
- 23.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []
- 23.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$ 27,692,243

INVESTMENT

- 24.01

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03)

Yes [] No [X]
- 24.02

If no, give full and complete information relating thereto
Securities were restricted for special deposits (as noted in Schedule E part 3)
- 24.03

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
The Company has no security lending program.
- 24.04

Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [] No [] N/A [X]
- 24.05

If answer to 24.04 is yes, report amount of collateral for conforming programs.

\$
- 24.06

If answer to 24.04 is no, report amount of collateral for other programs.

\$
- 24.07

Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes [] No [] N/A [X]
- 24.08

Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes [] No [] N/A [X]
- 24.09

Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending?

Yes [] No [] N/A [X]

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

GENERAL INTERROGATORIES

24.10 For the reporting entity’s security lending program state the amount of the following as December 31 of the current year:

24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.	\$	
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.	\$	
24.103	Total payable for securities lending reported on the liability page.	\$	

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes ☒ No ☐

25.2	If yes, state the amount thereof at December 31 of the current year:	25.21 Subject to repurchase agreements	\$	
		25.22 Subject to reverse repurchase agreements	\$	
		25.23 Subject to dollar repurchase agreements	\$	
		25.24 Subject to reverse dollar repurchase agreements	\$	
		25.25 Pledged as collateral	\$	
		25.26 Placed under option agreements	\$	
		25.27 Letter stock or other securities restricted as to sale	\$	
		25.28 On deposit with state or other regulatory body	\$	1,992,559
		25.29 Other	\$	

25.3 For category (25.27) provide the following:

1	2	3
Nature of Restriction	Description	Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes ☐ No ☒

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ☐ No ☐ N/A ☒
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes ☐ No ☒

27.2 If yes, state the amount thereof at December 31 of the current year. \$

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes ☒ No ☐

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
The Northern Trust Company	50 South La Salle Street, Chicago, IL 60603

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes ☐ No ☒

28.04 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository Number(s)	Name	Address
37214	Cutwater Asset Management	113 King Street, Armonk, NY 10504
105900	General Re New England Asset Management Inc.	76 Batterson Park Road, Farmington, CT 06032
107200	Wells Capital Management	525 Market Street, 10th Floor, San Francisco, CA 94105

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

GENERAL INTERROGATORIES

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])?
- Yes [] No [X]
- 29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
29.2999 - Total		

- 29.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
		Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund		

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	47,945,367	51,170,401	3,225,034
30.2 Preferred stocks	1,849,653	1,842,061	(7,592)
30.3 Totals	49,795,020	53,012,462	3,217,442

- 30.4 Describe the sources or methods utilized in determining the fair values:
Market value of Bonds and stocks were determined from quotations received from SVC/IDC and other pricing services.
- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
.....
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []
- 32.2 If no, list exceptions:
.....

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?\$302,575

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Insurance Services Office, Inc. ....	.....180,629
.....

34.1 Amount of payments for legal expenses, if any?\$86,178

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$0

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2

If yes, indicate premium earned on U. S. business only.

\$ _____

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ _____

1.31 Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ _____

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$ _____

1.6

Individual policies:

Most current three years:

1.61 Total premium earned \$ _____

1.62 Total incurred claims \$ _____

1.63 Number of covered lives _____

All years prior to most current three years

1.64 Total premium earned \$ _____

1.65 Total incurred claims \$ _____

1.66 Number of covered lives _____

1.7

Group policies:

Most current three years:

1.71 Total premium earned \$ _____

1.72 Total incurred claims \$ _____

1.73 Number of covered lives _____

All years prior to most current three years

1.74 Total premium earned \$ _____

1.75 Total incurred claims \$ _____

1.76 Number of covered lives _____

2.

Health Test:

1

Current Year

2

Prior Year

2.1 Premium Numerator 41,508,264 37,422,032

2.2 Premium Denominator 0.000 0.000

2.3 Premium Ratio (2.1/2.2) 56,357,712 53,173,426

2.4 Reserve Numerator 0.000 0.000

2.5 Reserve Denominator 0.000 0.000

2.6 Reserve Ratio (2.4/2.5)

3.1

Does the reporting entity issue both participating and non-participating policies?

Yes [] No [X]

3.2

If yes, state the amount of calendar year premiums written on:

3.21 Participating policies \$ _____

3.22 Non-participating policies \$ _____

4.

For mutual reporting Entities and Reciprocal Exchanges Only:

4.1 Does the reporting entity issue assessable policies? Yes [] No []

4.2 Does the reporting entity issue non-assessable policies? Yes [] No []

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ _____

5.

For Reciprocal Exchanges Only:

5.1 Does the Exchange appoint local agents? Yes [] No []

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation..... Yes [] No [] N/A []

5.22 As a direct expense of the exchange..... Yes [] No [] N/A []

5.3

What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

5.4

Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?

Yes [] No []

5.5

If yes, give full information

16

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

6.1

What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?
Tower Group purchased up to \$60 million catastrophe protection for any one occurrence and has an underwriting focus on low to medium hazard risks.

6.2

Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process.
Maximum probable loss from concentration of property exposures are evaluated using the RMS and AIR models.

6.3

What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
Excluding Adirondack Insurance Exchange, Mountain Valley Indemnity Company and New Jersey Skylands Insurance Association, Tower Group maintains a catastrophe reinsurance program which provides coverage in the amount of \$925 million in excess of \$75 million. In addition, Tower purchased an original insured market loss warranty excess of loss reinsurance to pay up to \$10 million excess of \$10 million in the event of windstorm market loss equal or greater than \$10 billion. Adirondack Insurance Exchange, Mountain Valley Indemnity Company and New Jersey Skylands Insurance Association purchased property catastrophe reinsurance coverage in the amount of \$160 million in excess of \$10 million.

6.4

Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?

Yes [X] No []

6.5

If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss.
.....

7.1

Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)?.....

Yes [X] No []

7.2

If yes, indicate the number of reinsurance contracts containing such provisions:

1

7.3

If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?.....

Yes [X] No []

8.1

Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?

Yes [] No [X]

8.2

If yes, give full information
.....

9.1

Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes [] No [X]

9.2

Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes [] No [X]

9.3

If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4

Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes [] No [X]

9.5

If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6

The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or,
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.

Yes [] No [X]
Yes [] No [X]
Yes [X] No []

10.

If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

Yes [X] No [] N/A []

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

11.1Has the reporting entity guaranteed policies issued by any other entity and now in force?Yes [] No [X]

11.2If yes, give full information
.....

12.1If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11Unpaid losses\$7,584

12.12Unpaid underwriting expenses (including loss adjustment expenses)\$1,315

12.2Of the amount on Line 15.3, Page 2, state the amount which is secured by letters of credit, collateral, and other funds\$25,400

12.3If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?Yes [] No [X] N/A []

12.4If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

12.41From%

12.42To.....%

12.5Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves , including unpaid losses under loss deductible features of commercial policies?Yes [] No [X]

12.6If yes, state the amount thereof at December 31 of the current year:

12.61Letters of credit\$

12.62Collateral and other funds.....\$

13.1Largest net aggregate amount insured in any one risk (excluding workers' compensation):\$65,000

13.2Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?Yes [] No [X]

13.3State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.22

14.1Is the company a cedant in a multiple cedant reinsurance contract?Yes [X] No []

14.2If yes, please describe the method of allocating and recording reinsurance among the cedants:
Premiums and losses are ceded based on the individual company's participation and the contract terms as defined in the agreement.

14.3If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?Yes [] No [X]

14.4If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements?Yes [X] No []

14.5If the answer to 14.4 is no, please explain:
.....

15.1Has the reporting entity guaranteed any financed premium accounts?Yes [] No [X]

15.2If yes, give full information
.....

16.1Does the reporting entity write any warranty business?Yes [] No [X]
If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11Home					
16.12Products					
16.13Automobile					
16.14Other*					

* Disclose type of coverage:

.....

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5? Yes [] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$
17.12 Unfunded portion of Interrogatory 17.11	\$
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$
17.14 Case reserves portion of Interrogatory 17.11	\$
17.15 Incurred but not reported portion of Interrogatory 17.11	\$
17.16 Unearned premium portion of Interrogatory 17.11	\$
17.17 Contingent commission portion of Interrogatory 17.11	\$

Provide the following information for all other amounts included in Schedule F - P art 3 and excluded from Schedule F - Part 5, not included above.

17.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$
17.19 Unfunded portion of Interrogatory 17.18	\$
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$
17.21 Case reserves portion of Interrogatory 17.18	\$
17.22 Incurred but not reported portion of Interrogatory 17.18	\$
17.23 Unearned premium portion of Interrogatory 17.18	\$
17.24 Contingent commission portion of Interrogatory 17.18	\$

18.1 Do you act as a custodian for health savings accounts? Yes [] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$

18.3 Do you act as an administrator for health savings accounts? Yes [] No [X]

18.4 If yes, please provide the balance of funds administered as of the reporting date. \$

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2012	2 2011	3 2010	4 2009	5 2008
Gross Premiums Written (Page 8, Part 1B Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	40,553,963	38,080,759	39,150,760	30,165,749	15,577,255
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	30,289,378	18,271,696	22,289,022	7,561,371	5,946,509
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	32,012,235	47,424,472	37,789,686	15,848,750	16,046,307
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	64,074	4,255	5,871	910	525
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	3,368,970	2,431,401			
6. Total (Line 35)	106,288,620	106,212,583	99,235,339	53,576,780	37,570,596
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	20,148,739	19,292,697	16,323,997	20,407,960	6,082,435
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,052,806	3,021,754	3,596,848	1,797,436	1,233,894
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	15,006,253	14,665,621	12,798,630	13,076,800	9,885,269
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	63,503	4,181	5,344	190	525
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	3,368,970	2,431,401			
12. Total (Line 35)	41,640,271	39,415,654	32,724,819	35,282,386	17,202,123
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(5,887,750)	(2,032,701)	(53,901)	308,047	1,993,095
14. Net investment gain or (loss) (Line 11)	4,107,523	1,852,830	4,320,260	1,572,418	1,436,267
15. Total other income (Line 15)	31,959	(13,008)	(64,451)	(59,712)	96,783
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	(947,486)	(252,232)	745,548	1,021,995	1,224,943
18. Net income (Line 20)	(800,782)	59,353	3,456,360	798,758	2,301,202
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	105,741,871	103,364,077	98,940,761	73,790,042	55,304,873
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	6,372,490	8,326,170	7,506,878	5,862,988	5,481,717
20.2 Deferred and not yet due (Line 15.2)	7,128,634	5,905,218	6,257,729	5,339,720	2,386,962
20.3 Accrued retrospective premiums (Line 15.3)	87,394	76,806	130,196	124,744	
21. Total liabilities excluding protected cell business (Page 3, Line 26)	75,498,725	72,326,444	77,908,002	51,413,330	34,672,452
22. Losses (Page 3, Line 1)	30,965,128	29,676,798	27,873,095	22,494,554	11,950,710
23. Loss adjustment expenses (Page 3, Line 3)	4,638,549	2,995,416	4,376,460	5,238,440	3,699,070
24. Unearned premiums (Page 3, Line 9)	20,323,522	20,191,515	18,197,893	13,539,284	8,876,718
25. Capital paid up (Page 3, Lines 30 & 31)	3,049,089	3,049,089	3,049,089	3,049,089	3,049,089
26. Surplus as regards policyholders (Page 3, Line 37)	30,243,146	31,037,633	21,032,759	22,376,712	20,632,421
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(1,036,171)	(300,795)	38,799,244	(2,482,661)	5,112,196
Risk-Based Capital Analysis					
28. Total adjusted capital	30,243,146	31,037,633	21,032,759	22,376,712	20,632,421
29. Authorized control level risk-based capital	4,928,168	3,813,226	3,197,016	3,593,644	2,067,597
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Line divided by Page 2, Line 12, Col. 3) x100.0					
30. Bonds (Line 1)	89.4	94.0	97.1	98.2	61.8
31. Stocks (Lines 2.1 & 2.2)	3.6	3.8	1.2	2.1	8.7
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	0.6	2.2	1.8	(0.3)	22.7
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				XXX	XXX
37. Other invested assets (Line 8)	6.4				
38. Receivables for securities (Line 9)				0.0	6.9
39. Securities lending reinvested collateral assets (Line 10)				XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds (Schedule D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Schedule D, Summary, Line 24, Col. 1)	88,821	88,821	88,821	88,821	88,821
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47	88,821	88,821	88,821	88,821	88,821
49. Total Investment in Parent included in Lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	0.3	0.3	0.4		0.4

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	(17,673)	(78,341)	175,313	(333,844)	155,908
52. Dividends to stockholders (Line 35)			(4,700,000)		
53. Change in surplus as regards policyholders for the year (Line 38)	(794,488)	10,004,874	(1,343,953)	1,744,290	2,047,562
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	24,722,421	22,060,002	(1,847,582)	18,356,512	8,559,245
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	11,221,481	11,489,779	6,764,513	5,315,632	3,502,072
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	16,652,137	15,580,209	3,062,548	6,613,353	7,677,390
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	11,489	(21)	(35)		
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	471,696				
59. Total (Line 35)	53,079,224	49,129,969	7,979,444	30,285,497	19,738,707
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	10,982,745	10,969,628	3,136,087	(293,020)	2,203,986
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,627,667	2,312,228	1,419,644	881,529	647,246
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	8,745,854	7,583,489	4,580,816	4,347,487	3,174,496
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	11,631	(21)	(35)		
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	471,696				
65. Total (Line 35)	22,839,593	20,865,324	9,136,512	4,935,996	6,025,728
Operating Percentages (Page 4) (Line divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	58.1	60.6	51.7	50.6	38.2
68. Loss expenses incurred (Line 3)	16.5	9.3	10.3	12.2	13.5
69. Other underwriting expenses incurred (Line 4)	39.5	35.5	38.2	36.2	35.6
70. Net underwriting gain (loss) (Line 8)	(14.2)	(5.4)	(0.2)	1.0	12.7
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	39.3	33.7	32.9	31.6	32.0
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	74.7	69.9	62.0	62.8	51.7
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	137.7	127.0	155.6	157.7	83.4
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P - Part 2 - Summary, Line 12, Col. 11)	2,300	587	372	179	(538)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	7.4	2.8	1.7	0.9	(2.9)
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred two years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	2,674	442	(372)	(723)	(214)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	12.7	2.0	(1.8)	(3.9)	(1.3)

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No []

If no, please explain:

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 OMITTED)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1 Direct and Assumed	2 Ceded	3 Net (1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported Direct and Assumed
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid Cols (4 - 5 + 6 - 7 + 8 - 9)	
1. Prior.....	XXX	XXX	XXX	187	90	50	14	3	0		137	XXX
2. 2003.....	12,362	5,227	7,135	5,466	2,381	998	267	761	278	84	4,298	XXX
3. 2004.....	13,334	5,443	7,891	5,130	2,028	938	314	728	276	87	4,177	XXX
4. 2005.....	16,368	4,058	12,311	6,100	1,424	1,159	209	979	167	61	6,437	XXX
5. 2006.....	24,945	6,957	17,987	8,656	2,224	1,733	305	1,324	284	174	8,900	XXX
6. 2007.....	32,383	11,260	21,123	11,549	3,267	2,099	483	1,728	569	231	11,058	XXX
7. 2008.....	39,066	13,317	25,749	15,454	5,055	2,872	825	2,088	551	408	13,983	XXX
8. 2009.....	45,259	14,639	30,620	17,712	4,949	2,777	796	2,593	676	442	16,660	XXX
9. 2010.....	55,063	26,997	28,066	21,599	9,190	2,407	1,218	2,784	1,123	663	15,259	XXX
10. 2011.....	62,802	25,380	37,422	22,939	8,068	1,688	632	3,539	1,258	582	18,208	XXX
11. 2012.....	69,405	27,896	41,508	13,221	3,633	648	203	2,469	806	139	11,696	XXX
12. Totals	XXX	XXX	XXX	128,012	42,309	17,369	5,268	18,996	5,988	2,871	110,813	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded				Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior.....	348	123	(28)	(5)	40	3	5	3	2	4		239	XXX
2. 2003.....	180	90	(26)	0	15	2	10	5	0	0		82	XXX
3. 2004.....	133	55	(9)	0	12	2	18	7	1	0		91	XXX
4. 2005.....	295	58	10	61	20	2	37	14	2	0		229	XXX
5. 2006.....	524	116	49	112	50	5	41	14	4	1		420	XXX
6. 2007.....	1,107	324	101	49	75	16	103	39	11	4		966	XXX
7. 2008.....	2,120	528	263	259	145	45	148	59	16	4		1,799	XXX
8. 2009.....	4,569	1,435	587	651	309	103	322	147	30	10	9	3,471	XXX
9. 2010.....	6,458	3,418	2,034	1,539	524	279	723	509	56	36	14	4,015	XXX
10. 2011.....	8,111	3,242	4,169	2,482	683	268	1,047	541	106	48	261	7,534	XXX
11. 2012.....	8,224	3,744	20,491	10,465	499	198	2,382	1,001	1,179	609	472	16,758	XXX
12. Totals	32,070	13,134	27,642	15,612	2,373	924	4,835	2,338	1,408	716	757	35,604	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred /Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior.....	XXX	XXX	XXX	XXX	XXX	XXX			XXX	202	37
2. 2003.....	7,404	3,023	4,381	59.9	57.8	61.4				64	18
3. 2004.....	6,951	2,683	4,268	52.1	49.3	54.1				69	22
4. 2005.....	8,602	1,937	6,666	52.6	47.7	54.1				187	42
5. 2006.....	12,381	3,061	9,320	49.6	44.0	51.8				345	75
6. 2007.....	16,774	4,750	12,023	51.8	42.2	56.9				835	131
7. 2008.....	23,106	7,325	15,782	59.1	55.0	61.3				1,597	202
8. 2009.....	28,898	8,767	20,131	63.9	59.9	65.7				3,070	401
9. 2010.....	36,586	17,312	19,274	66.4	64.1	68.7				3,536	479
10. 2011.....	42,281	16,539	25,742	67.3	65.2	68.8				6,556	978
11. 2012.....	49,113	20,658	28,455	70.8	74.1	68.6				14,505	2,253
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX			XXX	30,965	4,639

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	11 One Year	12 Two Year
1. Prior.....	3,189	3,527	3,675	3,911	4,186	3,925	3,682	3,709	3,861	3,944	83	235
2. 2003.....	4,312	3,982	3,815	3,823	3,869	3,750	3,805	3,832	3,886	3,925	39	93
3. 2004.....	XXX	4,241	3,909	3,875	3,718	3,729	3,751	3,703	3,749	3,828	80	126
4. 2005.....	XXX	XXX	6,748	6,245	5,947	5,999	6,163	5,833	5,857	5,867	10	34
5. 2006.....	XXX	XXX	XXX	9,470	9,247	8,799	8,935	8,450	8,348	8,285	(63)	(165)
6. 2007.....	XXX	XXX	XXX	XXX	11,023	11,352	10,929	10,831	10,773	10,906	134	76
7. 2008.....	XXX	XXX	XXX	XXX	XXX	13,275	13,741	14,098	14,036	14,283	247	184
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	16,939	17,863	17,879	18,246	367	383
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,951	16,468	17,660	1,192	1,709
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,226	23,439	213	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	26,221	XXX	XXX
12. Totals											2,300	2,674

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1	2	3	4	5	6	7	8	9	10		
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior.....	.000	1,217	2,096	2,498	2,975	3,250	3,406	3,299	3,555	3,688	XXX	XXX
2. 2003.....	1,219	2,089	2,540	2,725	3,155	3,427	3,567	3,654	3,756	3,815	XXX	XXX
3. 2004.....	XXX	1,239	1,949	2,415	2,864	3,251	3,471	3,411	3,608	3,726	XXX	XXX
4. 2005.....	XXX	XXX	1,463	2,837	3,659	4,492	5,157	5,204	5,540	5,625	XXX	XXX
5. 2006.....	XXX	XXX	XXX	1,999	4,013	5,296	6,458	6,790	7,458	7,860	XXX	XXX
6. 2007.....	XXX	XXX	XXX	XXX	2,812	5,474	7,210	7,932	9,156	9,898	XXX	XXX
7. 2008.....	XXX	XXX	XXX	XXX	XXX	3,489	7,167	8,309	10,686	12,446	XXX	XXX
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	4,685	8,074	11,422	14,743	XXX	XXX
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,620	10,426	13,598	XXX	XXX
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,144	15,927	XXX	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,034	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior.....	957	666	427	389	563	322	14	19	(12)	(13)
2. 2003.....	1,928	1,004	573	342	172	67	27	20	(9)	(7)
3. 2004.....	XXX	1,939	978	593	264	138	67	38	(1)	8
4. 2005.....	XXX	XXX	3,399	1,719	655	410	314	52	(30)	(21)
5. 2006.....	XXX	XXX	XXX	4,567	2,483	1,377	955	397	142	(32)
6. 2007.....	XXX	XXX	XXX	XXX	4,708	2,701	1,098	751	294	142
7. 2008.....	XXX	XXX	XXX	XXX	XXX	5,180	2,186	1,618	523	120
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	6,539	3,679	1,416	137
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,571	2,063	743
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,610	2,211
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	11,407

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories									
States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Included in Column 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	N							
2. Alaska	AK	N							
3. Arizona	AZ	N							
4. Arkansas	AR	N							
5. California	CA	E	3,570,064	8,775,031	254,154	1,360,597	1,401,460		
6. Colorado	CO	N							
7. Connecticut	CT	N							
8. Delaware	DE	N							
9. District of Columbia	DC	L							
10. Florida	FL	N							
11. Georgia	GA	N							
12. Hawaii	HI	N							
13. Idaho	ID	N							
14. Illinois	IL	N							
15. Indiana	IN	N							
16. Iowa	IA	N							
17. Kansas	KS	N							
18. Kentucky	KY	N							
19. Louisiana	LA	L							
20. Maine	ME	L	7,675,466	8,524,275	5,473,310	4,046,362	5,129,337	196,594	
21. Maryland	MD	N							
22. Massachusetts	MA	N							
23. Michigan	MI	N							
24. Minnesota	MN	N							
25. Mississippi	MS	N							
26. Missouri	MO	N							
27. Montana	MT	N							
28. Nebraska	NE	N							
29. Nevada	NV	L		559		94	94		
30. New Hampshire	NH	N							
31. New Jersey	NJ	N							
32. New Mexico	NM	N							
33. New York	NY	L	4,348,544	3,846,937	1,784,968	2,493,164	2,697,423	111,381	
34. North Carolina	NC	N							
35. North Dakota	ND	E	90,713	77,288					
36. Ohio	OH	N							
37. Oklahoma	OK	N							
38. Oregon	OR	N							
39. Pennsylvania	PA	N							
40. Rhode Island	RI	L							
41. South Carolina	SC	N							
42. South Dakota	SD	N							
43. Tennessee	TN	N							
44. Texas	TX	E							
45. Utah	UT	L							
46. Vermont	VT	N							
47. Virginia	VA	N							
48. Washington	WA	N							
49. West Virginia	WV	N							
50. Wisconsin	WI	N							
51. Wyoming	WY	N							
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CAN	N							
58. Aggregate other alien ..	OT	XXX							
59. Totals	(a) 7	15,684,787	21,224,090		7,512,432	7,900,217	9,228,314	307,975	
DETAILS OF WRITE-INS									
58001.	XXX								
58002.	XXX								
58003.	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX								
58999. Totals (Lines 58001 through 58003 plus 58998)(Line 58 above)	XXX								

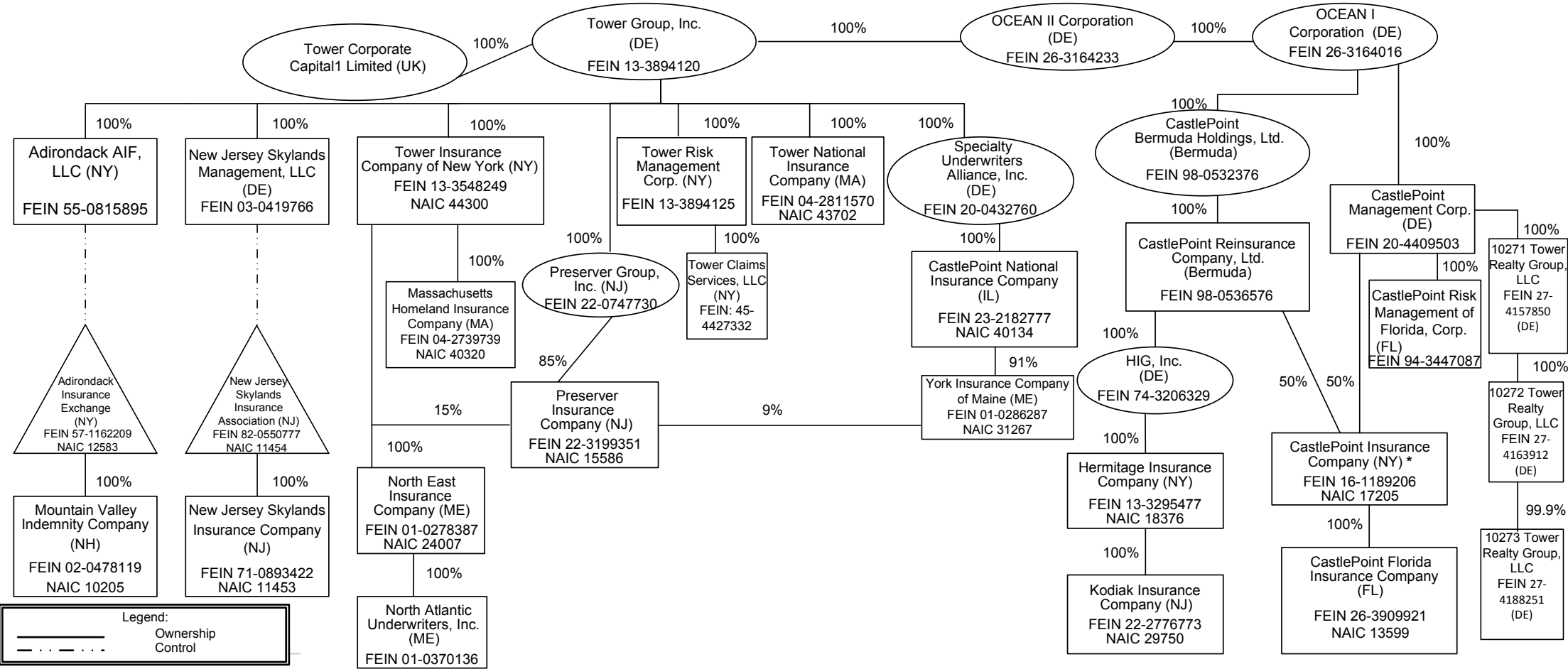
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation of premiums by states, etc.
The basis of allocation of premiums by states is based upon the state where the physical risk is actually located
(a) Insert the number of L responses except for Canada and Other Alien.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART

Organizational Chart of Tower Group, Inc.



* All outstanding shares of CastlePoint Insurance Company ("CPIC") are owned 50% by CastlePoint Management Corp. ("CPM") and 50% by CastlePoint Reinsurance Company, Ltd. ("CPRe"). With respect to the ownership of CPIC, there are no voting rights preferences assigned to either CPM or CPRe.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NORTH EAST INSURANCE COMPANY

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Assets Line 25

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504.	Miscellaneous receivable	198,610	2,403	196,207	220,430
2505.	Worker's compensation fund assessment receivable	144,389		144,389	80,041
2506.	Receivable for premium tax credits	24,741		24,741	
2507.	State income tax recoverable	6,610		6,610	5,813
2508.	Prepaid expenses	278,951	278,951		
2509.	Intangibles renewals	49,088	49,088		
2510.	Deposit and advances	25,670	25,670		
2597.	Summary of remaining write-ins for Line 25 from overflow page	728,059	356,112	371,947	306,284

Additional Write-ins for Statement of Income Line 37

		1	2
		Current Year	Prior Year
3704.	Correction of error (SSAP 3) - Other underwriting expenses	108,439	
3797.	Summary of remaining write-ins for Line 37 from overflow page	108,439	

Additional Write-ins for Underwriting and Investment Exhibit Part 3 Line 24

		1	2	3	4
		Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
2404.	Investment expenses			60,662	60,662
2497.	Summary of remaining write-ins for Line 24 from overflow page			60,662	60,662

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